

The Business Case for SBA

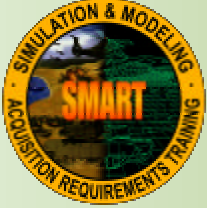
Developing Confidence in M&S

SBA Conference, May 17, 2001

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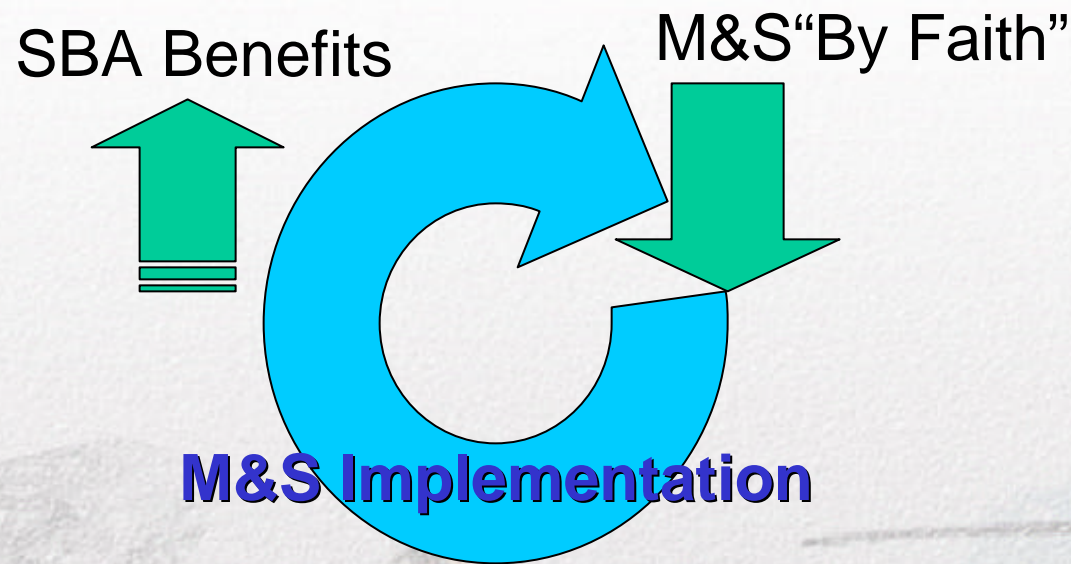
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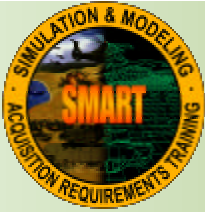
The SBA Business Case Assumption



SBA will create benefits across DoD and reduce costs to Program Managers



How to quantify costs and benefits of M&S?

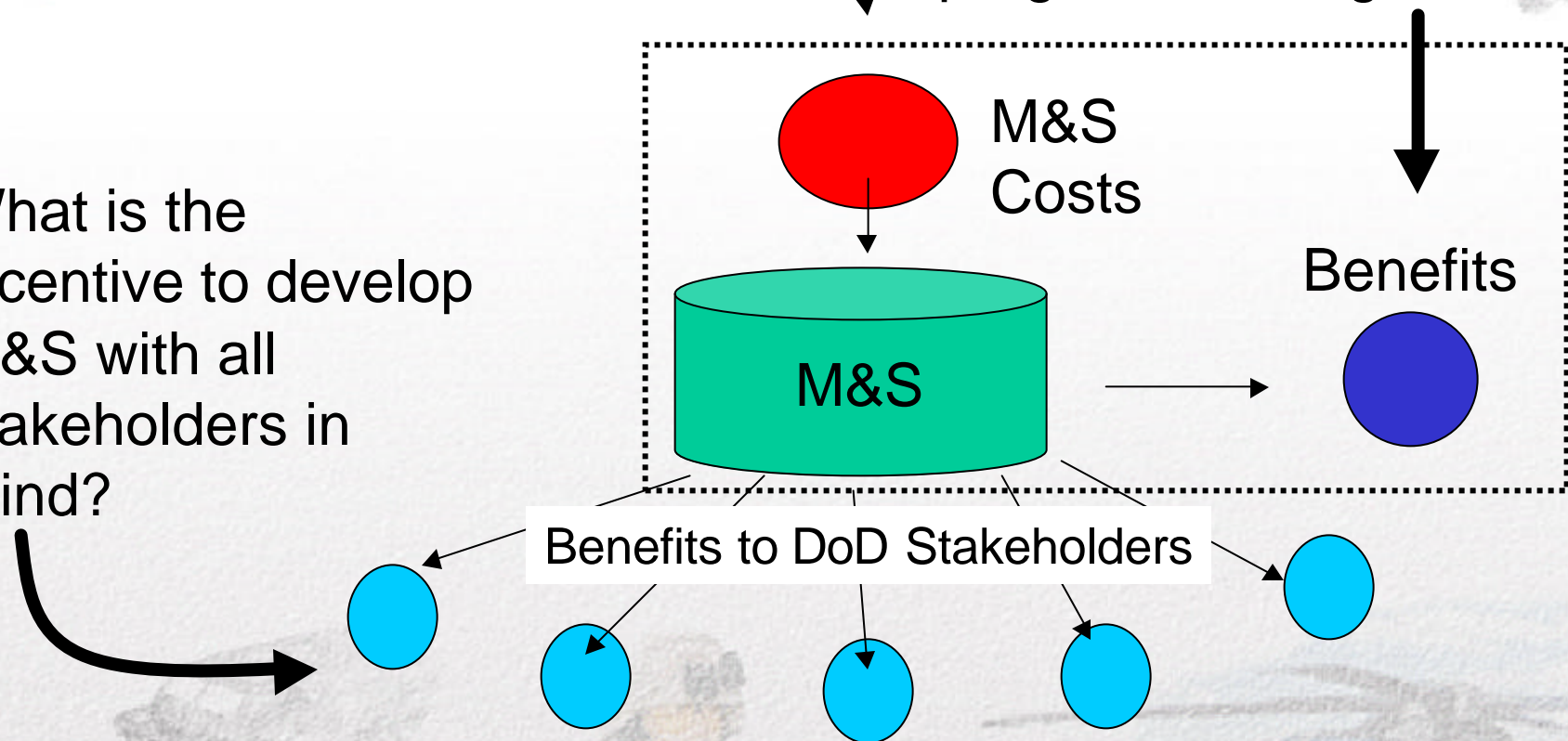


The PM's Dilemma

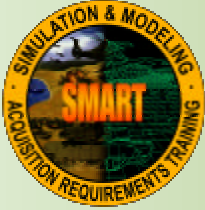
How much to spend on M&S?

What are the risks to a program in using M&S?

What is the incentive to develop M&S with all stakeholders in mind?



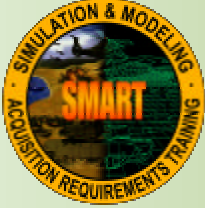
Real SBA Payoff: Reuse of M&S Past Your Watch



Quantifying the Benefits

- How do we measure the benefits of M&S?
 - Cost Avoidance (no baseline) is not the same as Cost Savings
 - Intangible benefits are hard to quantify
 - No control group: programs tend to be unique discrete events

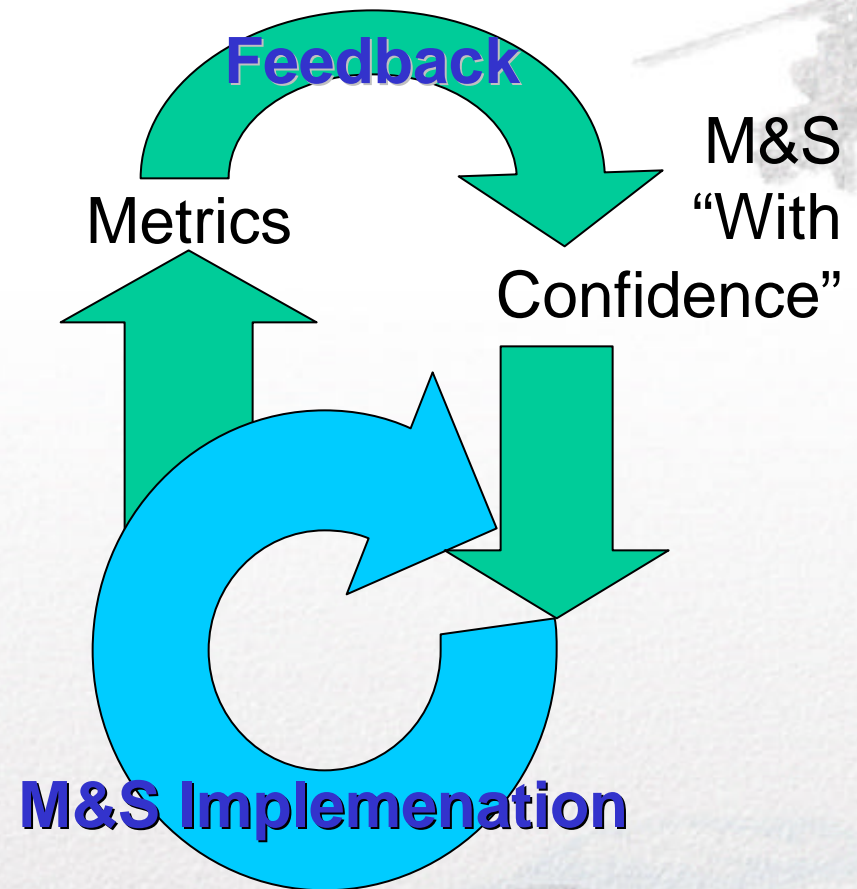
We need a way to compare and measure benefits in determining return on investment (ROI) of M&S



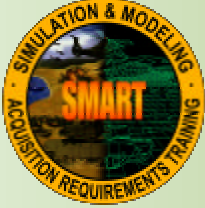
Developing Confidence

It will take time to develop confidence

- Need to establish **metrics** for benefit analysis
- **Understanding what works** creates confidence in M&S capabilities
- **Experience** should lead to understanding of new uses for M&S



Building trust and confidence in M&S will require the collective knowledge from many iterative experiments



M&S Management: A Disciplined Process

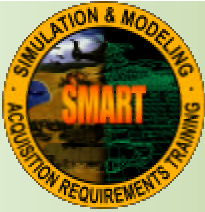


Program Management and M&S Usage

- Identify Program risks
- Map the critical path
- Identify intersections of critical path and Program risk
- Identify potential uses of M&S
- Identify M&S risks
- Compare M&S and Program risks with each other and with benefits

M&S Investment Decision





Moving Ahead

From


Spending \$\$\$
and
Taking Chances

- Understanding M&S
- Building Confidence
- Shaping Uses of M&S

To

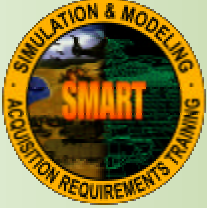
Known Tangible
Benefits for
Investment

Time

Risk to Program		
Low	High	
Risk from using M&S		
		
High		

		Risk to Program	
		Low	High
Risk from using M&S	Low		
	High		

How we use M&S to support modernization efforts will affect the way we use M&S in the future.



Summary



- Developing confidence in M&S is going to take time.
- The most difficult part is learning how to measure benefits.
- M&S management should be a disciplined process.

Understanding the SBA Business case
must be “learned by doing.”